

On the Socialist Market System and its Model

by

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A unified socialist market should be a solid, full-view market. Whether the market system is complete or not has an important effect on the development of a commodity economy. According to Marxist thought, circulation is not an individual exchange behaviour, but a total one, occurring in a social context that is reflected as system exchange behaviour. The socialist commodity economy is required to promote a complete market system including commodities, funds, technology, information and labour, and this model should be reflected in all its aspects.

The market is the result of commodity production and exchange. It is the sum of all economic relations in a commodity-based economy, and includes not only exchange relations, but production, distribution and consumer aspects. Given the pre-conditions of the commodity economy, all personal production, distribution, exchange and even consumption, cannot be separated from the market as a whole. Thus, we should understand and grasp the concept of market from a social and an economic view.

The Essential Market Factors and Market System Components

Market, in the narrow sense, is a place of exchange of commodities. Within this market, the exchange of commodities must join both buyer and seller. For this reason, if we take the commodity producer's view of the main body of the market, the consumer constitutes the objective body.

Between this main body and the objective, there exist relationships. Producers take a commodity as a medium of exchange with consumers, and the consumers take money as a medium of exchange with producers. This exchange between commodity and money assures the circulation of goods, value and information. Therefore, commodity, money and information become the essential market factors.

The market, in a broad sense, consists of the economic interrelation of all people. That is, the various relationships of production exchange, distribution and consumption.

Marx viewed the market as a "stage":

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All new capital, to commence with, comes on the stage, that is, on the market, whether of commodities, labour, or money, even in our days, in the shape of money that by a definite process has to be transformed into capital (Great Books of the Western World, *Capital*, by Karl Marx, p. 69).

So, to understand the market only in terms of commodities is too narrow. An active commodity market cannot dispose of one of its essential components, i.e. funds, technology, information and labour force.

The Commodity Market

The commodity market is of material value in the full market system. Developing a socialist commodity economy and completing the socialist market system must be preceded by the development of a socialist commodity production system.

The full development of a commodity economy is an indispensable stage in the economic growth of our society and a prerequisite for our economic modernisation. It is the only way to invigorate our economy and prompt enterprises to raise their efficiency, carry out flexible operations and promptly adapt themselves to complex and changing social demands. This cannot be achieved by relying only on administrative means and mandatory plans (Decision of the Central Committee of the Communist Party of China on Reform of the Economic Structure, *People's Daily*, 21 October 1984).

The commodity market has two aspects: means of production and means of subsistence. The means of production can meet the needs of the people indirectly, and, as a by-product, contribute to the subsistence needs of the people directly. Therefore, generally speaking, the means of production is an intermediate product, as the means of production has an intermediate market.

Development of the means of production has importance for the development of a full national economy, because the means of production are raw material for expanded production.

The means of the subsistence market is an important component part of the commodity market. And it is the final market meeting the consumer demands of the individual and family. It has a great many links with the life of the people, and it is a mirror that portrays the socio-economic development sensitively.

The means of the subsistence market appears to be particularly complicated. Since its commitment to the means of subsistence is all-inclusive, it must respond to thousands of consumers, whose demands in turn differ in thousands of ways; the situation of supply and demand in the market is intricate and volatile; the goods in the means of the subsistence market not only include tangible products, but intangible ones as well. For example, services also form part of the means of the subsistence market.

The Funds Market

A rapidly expanding commodity market must establish a corresponding funds market, which is a meeting place of the supply and demand for funds. It was called the funds market to correspond to Western terminology, where it is usually called the money or capital market.

With an open commodity market, economic movement will certainly be more brisk. With quotations on the fast-changing market, some enterprises may feel

that funds are unnecessary, but, at times, funds are not enough. Under conditions of an open funds market, an enterprise can take temporarily liquid assets and invest these in a programme with the highest economic yield. Meanwhile, one can also use the means of production and the labour force to achieve the best combination. Having access to the funds market, the enterprise can strengthen its capacity to meet an emergency, allowing flexibility and freedom of choice, meanwhile effectively using manpower and material resources.

Without a funds market, the central bank regulates one channel of money supply. When money is tight, the commercial loan rate is increased, or, under reverse conditions, reducing the commercial loan rate. Establishing a funds market is roughly equivalent to increasing the capacity of a railway from single spur to double track; one has much greater freedom of movement. As a consequence, some developed countries are using the funds market for readjustment of the money supply, with good results.

Without an available funds market, the interest rate cannot float in the market, but, being entirely stipulated by the Government, will lose economic leverage. It is fair to say that if one remains without a developed funds market, the bank cannot become a true bank.

On the basis of China's actual situation, it must first establish a complete money market, that is, a short-term funds market including a demand loan and inter-bank short-term open loan market, a promissory note discount market, issuance of various types of short-term bonds, and a step by step, development of a long terms funds market.

The Technical Market

The technical market must take advantage of exploiting the economic benefit of research and production, and also promoting competition. This also requires the production of scientific technology rapidly to become a topic of study, applying the results of this to production practice.

In recent years, China has opened the technological market, propelling both urban and rural economies. Technological sciences have advanced vigorously as a result. In early 1985, Shanxi held a province-wide science and technical fair at Wugong Agricultural Science Research Centre. As a result of negotiation, only Northwestern Agricultural College struck a bargain, and achieved a 276.76 million yūan income (RMB) within five days. With an open technical market, the progress of scientific research has been transformed to increase productive forces. For example, Shanghai before becoming a technological centre, had a research return rate of 20-30 per cent. After the open market system was introduced, the city-state economic commission had transformed 834 items to 1,585, the research return rate having thereby reached 52.6 per cent (*Guangming Daily*, 6 December 1985).

The Information Market

The world is rapidly moving towards the information age. All business activity in the market is actually also a process of information circulation. To establish an information market is of advantage to the Government, initiating a plan for national economic growth. The socialist information market should become a bridge to

link the national economy — every department, every area, every enterprise and every administrative management level, becoming “the invisible hand of motivation” and “the nervous system” of regulation by the market.

If China is to carry out a planned commodity economy, it not only requires base regulation by the market on market information, but also a master plan regulated by market information. For this reason, the leading national economy body and planners should first provide input data for the information centre. This information centre will both transmit information to the departments concerned with free access and “sell” information. At the same time, the information centre may “buy” information from world markets, thereby becoming the largest “wholesale information database” in the country.

The Labour Market

The socialist labour market is planned, that is, a labourer is free to choose a job, and an enterprise is free to invite applications for a job, all under a national master plan.

An open labour market must have a good social environment: first, the need arises for competition to obtain employment, and, second, the necessity to recognise an eventual enterprise failure. In other words, the first will result in a decline of “eating from the big public pot”, and the second in “breaking the iron rice bowl”. Competition to obtain employment requires that every labourer stands at the same starting line, each has an equal chance to obtain employment, choose a job, train and rise in rank, etc. Labourers should have freedom of movement between departments, and between areas, to give full play to their professional knowledge or skill; change from “three jobs done by five persons” to “three jobs fought for by five persons”; change from “poor efficiency” to “peak efficiency”. Without some form of threat, there is no pressure, and without pressure, there is no impetus and life. Enterprise failure, in fact, reflects competition on the larger scale. If an enterprise lacks the threat of failure, it will certainly lack a conception of competition for selecting the most competent labourer. Hence, corrupt practices arise — the “open back door” and “establishing underhand connections”, etc, that are difficult to stop.

In opening the labour market, one must introduce the system of labour under contract. Under the conditions of the contract, the labourer may resign from the enterprise, and the enterprise may dismiss or discharge the worker. Both employer and employee in the labour market should exchange views under conditions of equality. The change in labour wages should be controlled by the law of supply and demand. Use the effect of labour power as a “water reservoir” and “vibration insulator” to realise social labour power balance of sum supply and sum demand.

Conclusion

The most important feature of a socialist economic system is the planned economy, based on the actual market conditions. Using a careful market survey and statistics, employing an economic lever and complete market information to regulate and guide economic activity, a real planned economy is achieved. Those who believe

that simply compiling a long-term or short-term plan means a "planned economy" are, in fact, in error. In the history of socialist development, some problems have appeared during the implementation of a planned economy, not because of a malady of the planned economy itself, but as a result of not having taken into account the market factors and having "made a cart behind closed doors", i.e. in a concealed and closed environment, when the plan was originally compiled.

A market cannot only be a place of commodity exchange, but must also represent the sum of commodity relationships. All commodity relationships are between man and man, man and material, as is clearly reflected in the market. Hence, only when the means of production, means of subsistence, funds, technology, information and labour, i.e. all factors of activity, related to production and consumption are taken into consideration, can a completely pluralistic market system take shape. In this system, as with many others, the chain is only as strong as its weakest link, leading to the eventual collapse of the entire system, and a loss of momentum. If a negative perception of the nature of a commodity exists, or if some factors enter the market artificially, is it impossible efficiently to develop a socialist economy.